

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

| | | | |
|---|----------------------------------|---|-------------------|
| Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other | | Local Government Name County of Saginaw Building Authority | County Saginaw |
| Audit Date September 30, 2005 | Opinion Date February 8, 2006 | Date Accountant Report Submitted to State: March 31, 2006 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

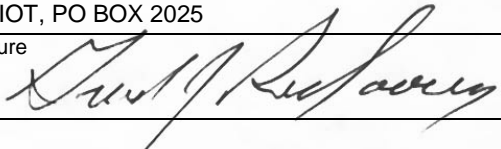
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

| We have enclosed the following: | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | | | X |
| Reports on individual federal financial assistance programs (program audits). | | | X |
| Single Audit Reports (ASLGU). | | | X |

| | | | |
|---|-----------------|-------------|--------------|
| Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA | | | |
| Street Address 5800 GRATIOT, PO BOX 2025 | City SAGINAW | State MI | Zip 48605 |
| Accountant Signature  | | | |

County of Saginaw Building Authority,
A Component Unit of Saginaw County
Saginaw, Michigan

Basic Financial Statements

For the Year Ended
September 30, 2005

**COUNTY OF SAGINAW BUILDING AUTHORITY,
A COMPONENT UNIT OF SAGINAW COUNTY**

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REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

INDEPENDENT AUDITORS' REPORT

February 8, 2006

To the Board of Commissioners
County of Saginaw Building Authority

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the **County of Saginaw Building Authority (the Authority)**, a component unit of Saginaw County, as of and for the year ended September 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the County of Saginaw Building Authority as of September 30, 2005, and the respective changes in its financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented Management's Discussion and Analysis as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

Rehmann Robson

BASIC FINANCIAL STATEMENTS

COUNTY OF SAGINAW BUILDING AUTHORITY

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2005

| | Primary Government | | |
|---|----------------------------|-----------------------------|-------------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Assets | | | |
| Cash and cash equivalents | \$ 1,520,466 | \$ 1,205,017 | \$ 2,725,483 |
| Receivables | 5,423,915 | 201,773 | 5,625,688 |
| Prepaid expenses | - | 36,971 | 36,971 |
| Inventory | - | 42,579 | 42,579 |
| Unamortized bond issue costs | - | 109,413 | 109,413 |
| Capital assets, net: | | | |
| Assets not being depreciated | - | 18,614 | 18,614 |
| Assets being depreciated | - | 14,374,485 | 14,374,485 |
| Total assets | <u>6,944,381</u> | <u>15,988,852</u> | <u>22,933,233</u> |
| Liabilities | | | |
| Accounts payable | - | 186,209 | 186,209 |
| Accrued expenses | 73,741 | 333,747 | 407,488 |
| Due to primary government | - | 190,435 | 190,435 |
| Deposits payable | - | 492,771 | 492,771 |
| Unearned revenue | - | 3,744 | 3,744 |
| Unamortized premium / discount | - | 21,708 | 21,708 |
| Long-term liabilities: | | | |
| Due within one year | 635,000 | 1,485,000 | 2,120,000 |
| Due in more than one year | 4,710,000 | 8,310,000 | 13,020,000 |
| Total liabilities | <u>5,418,741</u> | <u>11,023,614</u> | <u>16,442,355</u> |
| Net assets | | | |
| Invested in capital assets, net of related debt | - | 4,598,099 | 4,598,099 |
| Restricted for: | | | |
| Debt service | 1,525,640 | - | 1,525,640 |
| Unrestricted | - | 367,139 | 367,139 |
| Total net assets | <u>\$ 1,525,640</u> | <u>\$ 4,965,238</u> | <u>\$ 6,490,878</u> |

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAGINAW BUILDING AUTHORITY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | | Program Revenues | Primary Government | | |
|---|---------------------|-------------------------|----------------------------|-----------------------------|---------------------|
| | Expenses | Charges for Services | Governmental Activities | Business-type Activities | Total |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| Interest on long-term debt | \$ 260,566 | \$ 204,181 | \$ (56,385) | \$ - | \$ (56,385) |
| Business-type activities: | | | | | |
| Administration | 39,697 | 28,900 | - | (10,797) | (10,797) |
| Event Center | 4,551,379 | 2,934,418 | - | (1,616,961) | (1,616,961) |
| Total business-type activities | 4,591,076 | 2,963,318 | - | (1,627,758) | (1,627,758) |
| Total primary government | <u>\$ 4,851,642</u> | <u>\$ 3,167,499</u> | (56,385) | (1,627,758) | (1,684,143) |
| General revenues: | | | | | |
| Property taxes | | | - | 2,390,191 | 2,390,191 |
| Grants and contributions not restricted to specific programs | | | - | 245,098 | 245,098 |
| Investment income - interest earned | | | 32,014 | 13,097 | 45,111 |
| Transfers | | | (48,426) | 48,426 | - |
| Total general revenues and transfers | | | (16,412) | 2,696,812 | 2,680,400 |
| Change in net assets | | | (72,797) | 1,069,054 | 996,257 |
| Net assets - beginning of year | | | 1,598,437 | 3,896,184 | 5,494,621 |
| Net assets - end of year | | | <u>\$ 1,525,640</u> | <u>\$ 4,965,238</u> | <u>\$ 6,490,878</u> |

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAGINAW BUILDING AUTHORITY

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2005

| | 911 Center | Sheriff Offices | Sheriff Wanigas Building |
|--------------------------------------|------------------|--------------------|--------------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 24,949 | \$ 27,691 | \$ 19,078 |
| Prepaid expenditures | 4,008 | 2,211 | 1,536 |
| Due from other funds | - | - | - |
| Accrued interest receivable | 103 | 101 | 70 |
| | | | |
| Total assets | <u>\$ 29,060</u> | <u>\$ 30,003</u> | <u>\$ 20,684</u> |
| Liabilities and fund balances | | | |
| Liabilities | | | |
| Due to other funds | \$ - | \$ - | \$ - |
| Fund balances | | | |
| Reserved for debt service | <u>29,060</u> | <u>30,003</u> | <u>20,684</u> |
| | | | |
| Total liabilities and fund balances | <u>\$ 29,060</u> | <u>\$ 30,003</u> | <u>\$ 20,684</u> |

The accompanying notes are an integral part of these financial statements.

| Jail Renovation Phase V | Probate Renovation II | Animal Control Building | MSU Extension Building | Health Building Renovation |
|-------------------------------|-----------------------------|-------------------------------|------------------------------|----------------------------------|
| \$ 331,549 | \$ 277,618 | \$ 264,431 | \$ 127,292 | \$ 51,595 |
| - | - | - | - | 3,058 |
| - | - | - | - | - |
| 1,113 | 933 | 887 | 427 | 185 |
| \$ 332,662 | \$ 278,551 | \$ 265,318 | \$ 127,719 | \$ 54,838 |
| \$ - | \$ - | \$ - | \$ - | \$ - |
| 332,662 | 278,551 | 265,318 | 127,719 | 54,838 |
| \$ 332,662 | \$ 278,551 | \$ 265,318 | \$ 127,719 | \$ 54,838 |

(Continued)

COUNTY OF SAGINAW BUILDING AUTHORITY

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2005

| | Senior Activity Center | Courthouse Addition and Office Building Renovation | Jail Renovation |
|--------------------------------------|------------------------------|--|--------------------|
| Assets | | | |
| Cash and cash equivalents | \$ - | \$ 96,831 | \$ 15,025 |
| Prepaid expenditures | 2,821 | 8,594 | 1,317 |
| Due from other funds | - | 2,227 | - |
| Accrued interest receivable | 2 | 365 | 55 |
| | | | |
| Total assets | \$ 2,823 | \$ 108,017 | \$ 16,397 |
| | | | |
| Liabilities and fund balances | | | |
| | | | |
| Liabilities | | | |
| Due to other funds | \$ 2,227 | \$ - | \$ - |
| | | | |
| Fund balances | | | |
| Reserved for debt service | 596 | 108,017 | 16,397 |
| | | | |
| Total liabilities and fund balances | \$ 2,823 | \$ 108,017 | \$ 16,397 |

The accompanying notes are an integral part of these financial statements.

| Airport Improvements | Mental Health Group Homes | AIS Home | Mental Health OBRA Homes | Total Governmental Funds |
|-------------------------|------------------------------------|-------------|-----------------------------------|--------------------------------|
| \$ 34,809 | \$ 125,310 | \$ - | \$ 124,288 | \$ 1,520,466 |
| 3,083 | 8,548 | - | - | 35,176 |
| - | - | - | - | 2,227 |
| 128 | 379 | - | 426 | 5,174 |
| <hr/> | | | | |
| \$ 38,020 | \$ 134,237 | \$ - | \$ 124,714 | \$ 1,563,043 |
| <hr/> | | | | |
| | | | | |
| \$ - | \$ - | \$ - | \$ - | \$ 2,227 |
| | | | | |
| 38,020 | 134,237 | - | 124,714 | 1,560,816 |
| <hr/> | | | | |
| \$ 38,020 | \$ 134,237 | \$ - | \$ 124,714 | \$ 1,563,043 |
| <hr/> | | | | |

COUNTY OF SAGINAW BUILDING AUTHORITY
RECONCILIATION OF FUND BALANCES ON THE
BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET
ASSETS OF GOVERNMENTAL ACTIVITIES

SEPTEMBER 30, 2005

| | |
|--|--------------|
| Fund balances - total governmental funds | \$ 1,560,816 |
|--|--------------|

Amounts reported for governmental activities in the statement
of net assets are different because:

Other long-term assets are not available to pay for current
period expenditures and, therefore, are either deferred or
otherwise not recorded in the funds:

| | |
|-------------------------|-----------|
| Add - leases receivable | 5,418,741 |
|-------------------------|-----------|

| | |
|---|----------|
| Deduct - prepayment of interest expense | (35,176) |
|---|----------|

Long-term liabilities, including bonds payable, are not due and
payable in the current period and therefore, are not reported
in the funds:

| | |
|------------------------|-------------|
| Deduct - bonds payable | (5,345,000) |
|------------------------|-------------|

| | |
|--|----------|
| Deduct - accrued interest on bonds payable | (73,741) |
|--|----------|

| | |
|---------------------------------------|---------------------|
| Net assets of governmental activities | <u>\$ 1,525,640</u> |
|---------------------------------------|---------------------|

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAGINAW BUILDING AUTHORITY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES**

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | 911 Center | Sheriff Offices | Sheriff Wanigas Building |
|---------------------------------------|---------------|--------------------|--------------------------------|
| Revenues | | | |
| Interest earned on investments | \$ 655 | \$ 628 | \$ 434 |
| Rents and royalties | 63,850 | 28,381 | 19,707 |
| | | | |
| Total revenues | 64,505 | 29,009 | 20,141 |
| | | | |
| Expenditures | | | |
| Debt service: | | | |
| Principal | 53,557 | 29,541 | 20,522 |
| Interest and fiscal charges | 9,623 | 5,308 | 3,688 |
| | | | |
| Total expenditures | 63,180 | 34,849 | 24,210 |
| | | | |
| Revenues over (under) expenditures | 1,325 | (5,840) | (4,069) |
| | | | |
| Other financing sources (uses) | | | |
| Transfers out | (100) | (200) | (100) |
| | | | |
| Net change in fund balances | 1,225 | (6,040) | (4,169) |
| | | | |
| Fund balance, beginning of year | 27,835 | 36,043 | 24,853 |
| | | | |
| Fund balance, end of year | \$ 29,060 | \$ 30,003 | \$ 20,684 |

The accompanying notes are an integral part of these financial statements.

| Jail Renovation Phase V | Probate Renovation II | Animal Control Building | MSU Extension Building | Health Building Renovation |
|-------------------------------|-----------------------------|-------------------------------|------------------------------|----------------------------------|
| \$ 6,665 | \$ 5,580 | \$ 5,314 | \$ 2,557 | \$ 1,161 |
| 37,839 | 56,099 | 68,286 | 53,692 | 35,056 |
| 44,504 | 61,679 | 73,600 | 56,249 | 36,217 |
| 26,963 | 33,036 | 37,863 | 27,138 | 40,854 |
| 35,629 | 43,655 | 50,032 | 35,859 | 7,341 |
| 62,592 | 76,691 | 87,895 | 62,997 | 48,195 |
| (18,088) | (15,012) | (14,295) | (6,748) | (11,978) |
| (300) | (400) | (400) | (300) | (300) |
| (18,388) | (15,412) | (14,695) | (7,048) | (12,278) |
| 351,050 | 293,963 | 280,013 | 134,767 | 67,116 |
| \$ 332,662 | \$ 278,551 | \$ 265,318 | \$ 127,719 | \$ 54,838 |

(Continued)

COUNTY OF SAGINAW BUILDING AUTHORITY

**STATEMENT OF ACTIVITIES AND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Senior Activity Center | Courthouse Addition and Office Building Renovation | Jail Renovation |
|---------------------------------------|------------------------------|--|--------------------|
| Revenues | | | |
| Interest earned on investments | \$ 10 | \$ 2,280 | \$ 346 |
| Rents and royalties | 44,491 | 109,713 | 16,920 |
| Total revenues | 44,501 | 111,993 | 17,266 |
| Expenditures | | | |
| Debt service: | | | |
| Principal | 37,688 | 114,836 | 17,598 |
| Interest and fiscal charges | 6,772 | 20,634 | 3,162 |
| Total expenditures | 44,460 | 135,470 | 20,760 |
| Revenues over (under) expenditures | 41 | (23,477) | (3,494) |
| Other financing sources (uses) | | | |
| Transfers out | - | (700) | (100) |
| Net change in fund balances | 41 | (24,177) | (3,594) |
| Fund balance, beginning of year | 555 | 132,194 | 19,991 |
| Fund balance, end of year | \$ 596 | \$ 108,017 | \$ 16,397 |

The accompanying notes are an integral part of these financial statements.

| Airport Improvements | Mental Health Group Homes | AIS Home | Mental Health OBRA Homes | Total Governmental Funds |
|-------------------------|------------------------------------|-------------|-----------------------------------|--------------------------------|
| \$ 802 | \$ 2,305 | \$ 746 | \$ 2,531 | \$ 32,014 |
| 39,604 | 145,991 | 28,967 | 41,844 | 790,440 |
| 40,406 | 148,296 | 29,713 | 44,375 | 822,454 |
| 41,191 | 114,213 | 40,000 | 25,000 | 660,000 |
| 7,401 | 20,522 | 3,100 | 10,675 | 263,401 |
| 48,592 | 134,735 | 43,100 | 35,675 | 923,401 |
| (8,186) | 13,561 | (13,387) | 8,700 | (100,947) |
| (300) | (600) | (44,426) | (200) | (48,426) |
| (8,486) | 12,961 | (57,813) | 8,500 | (149,373) |
| 46,506 | 121,276 | 57,813 | 116,214 | 1,710,189 |
| \$ 38,020 | \$ 134,237 | \$ - | \$ 124,714 | \$ 1,560,816 |

COUNTY OF SAGINAW BUILDING AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | |
|--|--------------|
| Net change in fund balances - total governmental funds | \$ (149,373) |
|--|--------------|

Amounts reported for governmental activities in the statement
of activities are different because:

| | |
|--|-----------|
| Revenues in the funds that represent repayment of loans receivable that do not affect the statement of activities | (586,259) |
|--|-----------|

| | |
|--|-------|
| Add - decrease in prepayment of interest expense | 7,050 |
|--|-------|

| | |
|--|---------|
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. | 660,000 |
|--|---------|

Certain expenses reported in the statement of activities do not
require the use of current financial resources and therefore,
are not reported as expenditures in the funds.

| | |
|---|----------------|
| Subtract - increase in accrued interest payable | <u>(4,215)</u> |
|---|----------------|

| | |
|---|---------------------------|
| Change in net assets of governmental activities | <u><u>\$ (72,797)</u></u> |
|---|---------------------------|

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAGINAW BUILDING AUTHORITY

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

SEPTEMBER 30, 2005

| | Administration | Event Center | Total |
|---|----------------|--------------|--------------|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 335,601 | \$ 869,416 | \$ 1,205,017 |
| Accounts receivable | - | 27,554 | 27,554 |
| Taxes receivable | - | 48,698 | 48,698 |
| Accrued interest receivable | 1,085 | 465 | 1,550 |
| Due from primary government | - | 123,971 | 123,971 |
| Inventory | - | 42,579 | 42,579 |
| Prepaid expenses | - | 36,971 | 36,971 |
| Unamortized bond issue costs | - | 109,413 | 109,413 |
| Total current assets | 336,686 | 1,259,067 | 1,595,753 |
| Noncurrent assets - capital assets: | | | |
| Land | - | 18,614 | 18,614 |
| Buildings and improvements | - | 14,000,235 | 14,000,235 |
| Machinery and equipment | - | 896,949 | 896,949 |
| Office furniture and fixtures | - | 61,201 | 61,201 |
| Vehicles | - | 29,518 | 29,518 |
| Accumulated depreciation | - | (613,418) | (613,418) |
| Total noncurrent assets - capital assets | - | 14,393,099 | 14,393,099 |
| Total assets | 336,686 | 15,652,166 | 15,988,852 |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable | 6,815 | 179,394 | 186,209 |
| Accrued expenses | - | 333,747 | 333,747 |
| Due to primary government | - | 190,435 | 190,435 |
| Deposits payable | - | 492,771 | 492,771 |
| Unearned revenue | - | 3,744 | 3,744 |
| Unamortized premium / discount | - | 21,708 | 21,708 |
| Bonds payable - current | - | 1,485,000 | 1,485,000 |
| Total current liabilities | 6,815 | 2,706,799 | 2,713,614 |
| Noncurrent liabilities: | | | |
| Bonds payable | - | 8,310,000 | 8,310,000 |
| Total liabilities | 6,815 | 11,016,799 | 11,023,614 |
| Net assets | | | |
| Invested in capital assets, net of related debt | - | 4,598,099 | 4,598,099 |
| Unrestricted | 329,871 | 37,268 | 367,139 |
| Total net assets | \$ 329,871 | \$ 4,635,367 | \$ 4,965,238 |

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAGINAW BUILDING AUTHORITY

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS**

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Administration | Event Center | Total |
|--|----------------|-----------------|--------------|
| Operating revenues | | | |
| Charges for services | \$ 28,900 | \$ 2,934,418 | \$ 2,963,318 |
| Other revenue | - | 245,098 | 245,098 |
| | | | |
| Total operating revenues | 28,900 | 3,179,516 | 3,208,416 |
| Operating expenses | | | |
| Personal services | 660 | 1,082,093 | 1,082,753 |
| Fringe benefits | - | 267,279 | 267,279 |
| Supplies | - | 381,064 | 381,064 |
| Services and charges | 39,037 | 1,246,063 | 1,285,100 |
| Other operating expenses | - | 782,243 | 782,243 |
| Amortization | - | 13,836 | 13,836 |
| Depreciation | - | 382,426 | 382,426 |
| | | | |
| Total operating expenses | 39,697 | 4,155,004 | 4,194,701 |
| | | | |
| Operating income (loss) | (10,797) | (975,488) | (986,285) |
| Nonoperating revenue (expenses) | | | |
| Property taxes | - | 2,390,191 | 2,390,191 |
| Interest income | 5,957 | 7,140 | 13,097 |
| Interest expense and fiscal charges | - | (396,375) | (396,375) |
| | | | |
| Total nonoperating revenue (expenses) | 5,957 | 2,000,956 | 2,006,913 |
| | | | |
| Income (loss) before transfers | (4,840) | 1,025,468 | 1,020,628 |
| Transfers | | | |
| Transfers in | 53,926 | - | 53,926 |
| Transfers (out) | - | (5,500) | (5,500) |
| | | | |
| Net transfers | 53,926 | (5,500) | 48,426 |
| | | | |
| Change in net assets | 49,086 | 1,019,968 | 1,069,054 |
| | | | |
| Net assets, beginning of year | 280,785 | 3,615,399 | 3,896,184 |
| | | | |
| Net assets, end of year | \$ 329,871 | \$ 4,635,367 | \$ 4,965,238 |

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAGINAW BUILDING AUTHORITY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Administration | Event Center | Total |
|--|----------------|--------------|--------------|
| Cash flows from operating activities: | | | |
| Receipts from customers | \$ 29,019 | \$ 2,891,244 | \$ 2,920,263 |
| Receipts from interfund services provided | - | (118,599) | (118,599) |
| Payments to employees | (828) | (1,349,372) | (1,350,200) |
| Payments to suppliers | (32,222) | (2,434,255) | (2,466,477) |
| Other operating revenue | - | 245,098 | 245,098 |
| Net cash (used in) operating activities | (4,031) | (765,884) | (769,915) |
| Cash flows from noncapital financing activities: | | | |
| Property taxes | - | 2,390,191 | 2,390,191 |
| Transfers in | 53,926 | - | 53,926 |
| Transfers (out) | - | (5,500) | (5,500) |
| Net cash provided by noncapital financing activities | 53,926 | 2,384,691 | 2,438,617 |
| Cash flows from capital and related financing activities: | | | |
| Principal paid on bonds payable | - | (1,440,000) | (1,440,000) |
| Interest paid on bonds payable | - | (396,375) | (396,375) |
| Net cash (used in) capital and related financing activities | - | (1,836,375) | (1,836,375) |
| Cash flows from investing activities: | | | |
| Interest received | 5,957 | 7,140 | 13,097 |
| Net increase (decrease) in cash and cash equivalents | 55,852 | (210,428) | (154,576) |
| Cash and cash equivalents - beginning of year | 279,749 | 1,079,844 | 1,359,593 |
| Cash and cash equivalents - end of year | \$ 335,601 | \$ 869,416 | \$ 1,205,017 |

The accompanying notes are an integral part of these financial statements

COUNTY OF SAGINAW BUILDING AUTHORITY

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED SEPTEMBER 30, 2005

| | Administration | Event Center | Total |
|--|----------------|-----------------|--------------|
| Cash flows from operating activities: | | | |
| Operating (loss) | \$ (10,797) | \$ (975,488) | \$ (986,285) |
| Adjustments to reconcile operating (loss) to net cash (used) by operating activities: | | | |
| Depreciation | - | 382,426 | 382,426 |
| (Increase) decrease in assets: | | | |
| Accounts receivable | - | (43,466) | (43,466) |
| Accrued interest receivable | 119 | 235 | 354 |
| Due from primary government | - | (12,805) | (12,805) |
| Due from other governmental units | - | 17 | 17 |
| Inventory | - | (11,748) | (11,748) |
| Prepaid expenses | - | (27,309) | (27,309) |
| Unamortized bond issue costs | - | 17,268 | 17,268 |
| Increase (decrease) in liabilities: | | | |
| Accounts payable | 6,815 | (24,603) | (17,788) |
| Accrued expenses | (168) | 83,212 | 83,044 |
| Due to primary government | - | (105,794) | (105,794) |
| Deposits payable | - | (44,437) | (44,437) |
| Unearned revenue | - | 40 | 40 |
| Unamortized premium | - | (3,432) | (3,432) |
| Net cash (used by) operating activities | \$ (4,031) | \$ (765,884) | \$ (769,915) |

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The *County of Saginaw Building Authority* ("the Authority") was incorporated by the County of Saginaw (the "County") on August 1, 1972 under the provisions of Act 31, Public Acts of Michigan, 1948 (First Extra Session), as amended. The purpose of the Authority is to acquire, furnish, equip, own, improve, enlarge, operate and maintain buildings, automobile parking lots or structures and the necessary site or sites for the use of any legitimate public purpose of the County of Saginaw.

A. Reporting Entity

These financial statements represent the financial condition and the results of operations of a blended component unit of the County and are an integral part of that reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The Authority reports the following major governmental funds:

Debt Service Funds:

- 911 Center
- Sheriff Offices
- Sheriff Wanigas Building
- Jail Renovation Phase V
- Probate Renovation II
- Animal Control Building
- MSU Extension Building
- Health Building Renovation
- Senior Activity Center
- Courthouse Addition and Office Building Renovation
- Jail Renovation
- Airport Improvements
- Mental Health Group Homes
- AIS Home
- Mental Health OBRA Homes

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

The Authority reports the following major proprietary funds:

The *Administration fund* accounts for maintenance charges of the debt service funds.

The *Event Center fund* accounts for the operations of the Dow Event Center.

Debt Service funds account for the accumulation of resources for, and the payment of interest and principal on bonded debt.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the event center are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

2. Receivables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

3. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects when constructed. Capital assets of the Authority are depreciated using the straight line method over the following estimated useful lives:

| | |
|---------------------------|------------|
| Building and improvements | 5-45 years |
| Machinery and equipment | 3-10 years |

4. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

5. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

6. Interfund Transactions

During the course of normal operations, the Authority has numerous transactions between funds, including expenditures and transfers of resources to provide services and to service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits

At year-end, the carrying amounts and bank balance of the Authority's deposits were as follows:

| | Cash and Cash Equivalents |
|--|--------------------------------------|
| Cash on hand | \$ 31,458 |
| Checking accounts | 91,803 |
| Other demand accounts | 725,049 |
| Cash on deposit with Saginaw County internal cash management pool | <u>1,877,173</u> |
| | <u>\$2,725,483</u> |

This entire balance is considered to be deposits for disclosure purposes.

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Deposit and investment risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments.

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase
- Bankers acceptances of United States banks
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service
- Mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation
- External investment pools as authorized by Public Act 20 as amended through 12/31/97

The Authority's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The Authority's investment policy does not have specific limits in excess of state law on investment credit risk. At year-end, the Authority had no investments and was therefore, not exposed to credit risk.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, The Authority's deposits may not be returned. State law does not require and the Authority does not have a policy for deposit custodial credit risk. At year-end, \$582,214 of the Authority's bank balance of \$782,214 was exposed to custodial credit risk because it was uninsured and uncollateralized. FDIC coverage cannot be determined for deposits with the County.

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk. The Authority's investment policy does not have specific limits in excess of state law on concentration of credit risk. At year-end, The Authority had no investments and was therefore, not exposed to credit risk.

B. Receivables

Receivables in the primary government are as follows:

| | Governmental Activities | Business-type Activities |
|-----------------------------|----------------------------|-----------------------------|
| Accounts | \$ - | \$ 27,554 |
| Taxes | - | 48,698 |
| Due from primary government | - | 123,971 |
| Leases | | |
| Due within one year | 708,741 | - |
| Due after one year | 4,710,000 | - |
| Interest | <u>5,174</u> | <u>1,550</u> |
| | <u>\$ 5,423,915</u> | <u>\$ 201,773</u> |

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

C. Capital Assets

Capital assets activity for the year ended September 30, 2005 was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Disposals</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| Business-type activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 18,614 | \$ - | \$ - | \$ 18,614 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 14,000,235 | - | - | 14,000,235 |
| Machinery and equipment | 896,949 | - | - | 896,949 |
| Office furniture and fixtures | 61,201 | - | - | 61,201 |
| Vehicles | 29,518 | - | - | 29,518 |
| Total capital assets being depreciated | 14,987,903 | - | - | 14,987,903 |
| Less accumulated depreciation | | | | |
| Buildings and improvements | (213,017) | (317,529) | - | (530,546) |
| Machinery and equipment | (16,437) | (55,674) | - | (72,111) |
| Office furniture and fixtures | (553) | (3,320) | - | (3,873) |
| Vehicles | (985) | (5,902) | - | (6,888) |
| Total accumulated depreciation | (230,992) | (382,426) | - | (613,418) |
| Total capital assets being depreciated, net | 14,756,911 | (382,426) | - | 14,374,485 |
| Business-type activities capital assets, net | \$ 14,775,525 | \$ (382,426) | \$ - | \$ 14,393,099 |

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|---------------------------|-------------------|
| Business-type activities: | |
| Event Center | \$ <u>382,426</u> |

D. Interfund Receivables, Payables and Transfers

The interfund payable balance of \$2,227 in the Senior Activity Center Debt Service Fund results from a negative cash position that required the Courthouse Addition and Office Building Renovation Debt Service Fund to cover the negative cash position and record a corresponding interfund receivable.

| <u>Transfer from</u> | <u>Transfer to Administration</u> |
|--|---------------------------------------|
| 911 Center | \$ 100 |
| Sheriff Offices | 200 |
| Sheriff Wanigas Building | 100 |
| Jail Renovation Phase V | 300 |
| Probate Renovation II | 400 |
| Animal Control Building | 400 |
| MSU Extension Building | 300 |
| Health Building Renovation | 300 |
| Courthouse Addition & Office Building Renovation | 700 |
| Jail Renovation | 100 |
| Airport Improvements | 300 |
| Mental Health Group Homes | 600 |
| AIS Home | 44,426 |
| Mental Health OBRA Homes | 200 |
| Event Center | \$ <u>5,500</u> |
| Total | \$ <u>53,926</u> |

Transfers are made to move unrestricted revenue to the Administration Enterprise Fund in order to finance administrative costs related to operations of the Building Authority. The transfer out of the AIS Home was to close out that fund.

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

E. Long-term Debt

The Authority issues general obligation bonds to provide funds for the construction and acquisition of major capital facilities. The original amount of general obligation bonds issued in prior years was \$21,360,000. No new general obligation bonds were issued during the year.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 5 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

| <u>Purpose</u> | <u>Interest Rates</u> | <u>Amount</u> |
|---|-----------------------|----------------------|
| Governmental activities: | | |
| 1995 revenue bonds | 2.75-5.75% | \$ 290,000 |
| 1999 revenue bonds | 4.50-6.50% | 2,975,000 |
| 2002 revenue bonds – refunding of 1993 revenue bonds | 3.0-4.0% | 2,080,000 |
| Business-type activities: | | |
| 2002 revenue bonds | 1.23-4.0% | <u>9,795,000</u> |
| | | <u>\$ 15,140,000</u> |

Annual debt service requirements to maturity for general obligation bonds are as follows:

| <u>Year</u> | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|-------------|--------------------------------|---------------------|---------------------------------|--------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2006 | \$ 635,000 | \$ 232,375 | \$ 1,485,000 | \$ 370,900 |
| 2007 | 715,000 | 208,350 | 1,540,000 | 322,638 |
| 2008 | 725,000 | 181,650 | 1,595,000 | 266,812 |
| 2009 | 785,000 | 152,550 | 1,655,000 | 207,000 |
| 2010 | 230,000 | 117,275 | 1,725,000 | 140,800 |
| 2011-2015 | 1,080,000 | 420,888 | 1,795,000 | 71,800 |
| 2016-2019 | <u>1,175,000</u> | <u>141,563</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 5,345,000</u> | <u>\$ 1,454,651</u> | <u>\$ 9,795,000</u> | <u>\$1,379,950</u> |

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Long-term liability activity for the year ended September 30, 2005 was as follows:

| | Beginning Balance | Additions | Ending Reductions | Balance | Due within One Year |
|--------------------------|----------------------|-------------|----------------------|---------------------|------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | <u>\$ 6,005,000</u> | <u>\$ -</u> | <u>\$ (660,000)</u> | <u>\$ 5,345,000</u> | <u>\$ 635,000</u> |
| Business-type activities | | | | | |
| General obligation bonds | <u>\$ 11,235,000</u> | <u>\$ -</u> | <u>\$(1,440,000)</u> | <u>\$ 9,795,000</u> | <u>\$1,485,000</u> |

III. OTHER INFORMATION

A. Related Party Activity

Under statutes of the State of Michigan, the Board of Commissioners of the County of Saginaw appoints the Board of the Building Authority. Also, a significant amount of the financial activity of the Building Authority represents receipts from and disbursements to various departments of the County of Saginaw.

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